

DeKALB COUNTY, GEORGIA



DEKALB COUNTY SHERIFF'S OFFICE

MANAGEMENT LETTER

FOR THE YEAR ENDING DECEMBER 31, 2013

PREPARED BY
FINANCE - INTERNAL AUDIT DIVISION



Finance Department
Internal Audit & Licensing

**Interim Chief Executive
Officer**

Lee May

Board of Commissioners

District 1
Elaine Boyer

District 2
Jeff Rader

District 3
Larry Johnson

District 4
Sharon Barnes Sutton

District 5
Lee May

District 6
Kathie Gannon

District 7
Stan Watson

Date: June 5, 2014
TO: Jeffery L. Mann, DeKalb County Sheriff
FROM: Interim Deputy Director of Finance, Internal Audit & Licensing
SUBJECT: 2013 Management Letter

General Information

The Internal Audit and Licensing Division have reviewed the financial operations of the Sheriff's Office for the period, January 1, 2013 to December 31, 2013. Issued separately from this report is an audit report that includes the financial statements and our opinion thereon. The Significant Deficiencies and Comments covered in this report are to address operational aspects of the financial activities of the Sheriff's Office.

Significant Deficiency I: Inadequate Control to Safeguard Cash Collected

The Sheriff's Office performs daily cash close out and bank deposit around mid-afternoon. Cash collected by the cashiers after daily close out at the Civil Process Unit (CPU) Division is either stored in a secured vault or kept in the cashier's desk drawer, without performing a final end of day cash drawer close out. The previous day's remaining funds are commingled with the current day's cash receipts until the daily close out is performed. Currently, no controls exist to verify and approve the cash collected at the end of each workday to maintain the integrity of the funds received.

Recommendation I

The Sheriff's Office should establish procedures with effective controls to safeguard cash against loss and prevent mishandling of money. Cash should not be stored in the cashier desk drawer at the end of the day. Undeposited funds should be stored in the controlled access vault daily.

For accountability of the daily transactions, the closeout procedure should require two people to reconcile the cash on hand to the cash collection records or cash receipts. The two staff members must approved the verified amounts on the Cash Report by signing the report. The cashiers should not be allowed to commingle the previous day's cash receipts and the current day's cash receipts. The current day's reconciled receipts and deposit slips must be separated from the previous day cash receipts and deposit slips.

Significant Deficiency II: Use of Manual Accounting Process and System

The recording, processing, summarizing, and reporting of the cash receipts and disbursements in the Cash Receipts and Disbursement Journals (CR&DJ) involve a tedious manual process. Receipts, disbursements, and adjusting entries are sometimes rewritten over the initial manual entries on the ledger sheets and the page totals re-calculated using an adding machine, thereby changing the original page total. The data lack clarity when errors

are corrected or adjustments are made using pen and whiteout. This process is time consuming and increases the risk of data deficiency, errors, data manipulation, and inconsistency, thereby reducing the internal controls. Some of the issues surrounding manual bookkeeping we observed include, but not limited to the following:

- Returned checks adjustments on the CR&DJ were done as single entries instead of double entries.
- Remaining balances of the previous month were not carried forward to the subsequent period in the CR&DJ.
- The manual bookkeeping process allows staff to make changes, to the initially recorded customers' cash receipts for return checks without an audit trail.
- The cash bond account bank reconciliation for March 2013 was incorrect due to an error in the manual addition.

Cash bond refunds processed electronically in Civil Serve System are re-entered into the Civil 2000 System to generate a standard report of receipts and disbursements, which the CPU Division's manager uses to track the cash bond balances. Staff utilizes the Civil Serve system to write refund checks. Afterwards, the refund check information is entered into Civil 2000 System. The process of the second entry is inefficient and susceptible to errors. We found a cash bond refund date on the disbursement check processed in the Civil Serve disagreed with the refund date on the report generated by Civil 2000 System. The error was attributed to manual posting of the transaction in latter.

Recommendation II

We recommend complete automation of the accounting system, manual processes, and effective utilization of a system by the CPU Division and the Jail Division. The capabilities of the Civil Serve System should be reevaluated to determine the system's ability to perform full cycle accounting required to input, process, summarize, and report receipt and disbursement details and balances.

Additional controls, such as review and approval of bank reconciliations by management, should minimize errors.

Significant Deficiency III: Inadequate Authorization for Use of Petty Cash Funds

Several purchases from the petty cash fund, cost center number 3210, did not conform to the purpose for which the fund was designated. The fund was designated to assist officers in the field to obtain information from prospective informants or witnesses. There was no evidence that the transactions were approved by the Sheriff. Expense receipts and supporting documents included, home depot receipts, miscellaneous snacks and drinks receipts, professional license invoice, and training materials.

Recommendation III

The petty cash fund should not be used for purchases unrelated to its designated purpose.

Significant Deficiency IV: Insufficient Documentation to Verify Remittance of Cash Bond Interests and to Determine County's Liability

We were unable to obtain a report that shows a summary of interest receipts from the cash bond custodian(s) and disbursements of the interest income to GSCCCA, third-party government beneficiary. Internal Audit received copies of the 1099-Interest statement and cash bond custodian checks from the Sheriff's Office. We did not receive copies the remittance advices that support disbursement of interest to GSCCCA. As a result, Internal Audit relied on GSCCCA for receipt records, which may not be accurate, to determine the amount of unremitted cash bond interest. The interest income is designed under Georgia Law for use by indigent individuals.

Recommendation IV

We recommend the Sheriff's Office implement operating procedures to systematically record, process, summarize, and report interest income and remittances to the GSCCCA, as stipulated by Georgia Law. In addition, all relevant support documents, such as the remittance advice and check copies, should be maintained.

Significant Deficiency V: Reporting Unclaimed Cash Bond

Georgia Law O.C.G.A §17-6-4 Code section c (2012) states "In the event that any cash bail posted pursuant to this Code section or Code Section 17-6-5 is not later claimed by the surety on such bond after a period of seven years from the later of either the date on which the defendant was required to appear in court or the date of disposition of the case by the prosecutor or the court, including any appeal of a verdict or sentence, then the cash shall be paid into the general fund of the county having trial venue on the case."

Generally, unclaimed cash bonds are remitted to the Finance-Division of Treasury and Accounting (DTAS) by December 31 each year. The Sheriff's Office adopted a procedure to disburse one check to DTAS for all the unclaimed cash bonds that would have been individually due at various times during the year. However, for the past three years the Sheriff's Office has not paid the unclaimed cash bonds by year-end. The 2013 unclaimed cash bond was remitted to the County in January 2014, an improvement from 2012 and 2011. Per personnel, the reason for the late occurrence is that the Sheriff's Office's Information Systems (IS) Division was unable to produce a report containing the categories; cash bond accounts, payee, and amount due, in a timely manner.

Recommendation V

We recommend the Sheriff's Office implement effective procedures and controls to initiate the preparation of a summary report of unclaimed cash bonds prior to year-end. This will allow the CPU Division to disburse the check to the County by December 31st of each year.

Significant Deficiency VI: Bonding Companies Operate without Business Licenses

Georgia Law requires all bonding companies provide documentation showing the company have a valid business license in the jurisdiction where bonds are written (O.C.G.A §17-6-15C). Presently, there is no procedure in place assuring each bonding company has obtained a valid business license from DeKalb County Government. Four (4) bonding companies have written bonds in 2013 for DeKalb County Sheriff's Office, but have not obtained

business licenses and paid occupational taxes for current and previous years: Atlanta/DeKalb Bonding has never obtained a business license; A-Action Bail Bonds, LLC has not obtained a business license since 2011; and DeKalb Bonding Specialist and Levett-Phillips Confidential Bonding, Inc. have not renewed since 2012. This also was mentioned in the 2012 Management Report for the Sheriff's Office.

Recommendation VI

We recommend that the Sheriff's Office incorporate into its procedures for bond companies' annual registration verification of a valid DeKalb County business. In addition, we recommend that copies of the licenses be retained in their files as evidence that the statutory requirement has been met.

Comments

The \$10,000 in Technology Grant Payable to DeKalb County Sheriff's Office

Citizens Trust Bank confirmed a \$10,000 CD balance for the Sheriff's Office as of December 31, 2013. The Sheriff's Office personnel mentioned the \$10,000 was a grant paid to the Sheriff's Office by Securus, a vendor contracted to provide Inmate Telephone System, Video Visitation, and Inmate Accounting System for the Sheriff's Office. The \$10,000 grant was included in Securus' cost proposal of their Request for Proposal (RFP). The Sheriff's Office personnel informed Internal Audit that the Sheriff's Office bid process is similar to the County's bid process and the cost proposal was opened after the final selection was made.

Operating Account (Sun Trust Bank) Bank Charges

Request for reimbursement of bank charges was not submitted by the Sheriff's Office to DTAS. As stated in our 2009, 2010, 2011, and 2012 Management Reports, we recommend that the Sheriff's Office include the bank charges in the annual operating budget to expedite reimbursements from DTAS.

Audit of the Inmates Commissary and Trust Funds

As of report date, the Division of Internal Audit and Licensing (DIAL) have not received the independent auditor's report of the Inmates Commissary and Trust Funds Accounts. However, we have received a copy of the engagement letter. DIAL recognizes that the Sheriff's Office has made significant improvement in providing the independent auditors' reports for the commissary and inmates' trust funds and other areas over the years, including engaging an external auditor earlier than in the prior years to ensure timely completion of the audit.

Returned Check Charge and Replacement Check Fee


The Finance Department's practice is to charge a \$30 fee for return checks. Currently, the Sheriff's Office does not charge a fee for return checks. The Sheriff's Office should consider charging a \$30 minimum fee per return check. These charges would increase revenue and may discourage bounced checks.

Replacement of Counterfeit Bills

Counterfeit bills received by the Sheriff's Office are replaced with valid bills without identifying the source of the replacement funds.

Internal Audit expresses appreciation for the assistance granted by the Sheriff's Office.

Sincerely,



Cornelia Louis

CL/RI

cc: Zach Williams, Executive Assistant/Chief Operating Officer
Gwen Brown-Patterson, Interim Chief Financial Officer, Finance Director
Claudette Leak, Administrative Project Manager